

O 071454Z MAR 07
FM SECSTATE WASHDC
TO AMEMBASSY BEIJING IMMEDIATE

S E C R E T STATE 028429

E.O. 12958: DECL: 03/07/2017
TAGS: [MTCRE](#) [PREL](#) [PARM](#) [MCAP](#) [ETTC](#) [CH](#) [IR](#)

SUBJECT: FOLLOWING-UP WITH CHINA ON MISSILE PROLIFERATION
CASES (S)

REF: (A) BELLAMAX CABLES (B) CPMIEC CABLES (C) LIMMT
CABLES (D) SHANGHAI TECHNICAL BY-PRODUCTS
CABLES

Classified By: ISN/MTR Director Pamela Durham
for Reasons 1.4 (b) and (d).

¶1. (U) This is an action request. Embassy Beijing please
see paragraph 8.

¶2. (S) Background: Over the last 18 months, the U.S. has
raised several specific cases of missile-related cooperation
between Chinese firms and Iran's missile program. In
particular, we have repeatedly discussed specific
missile-related activities of concern involving the entities
Bellamax, CPMIEC, LIMMT, and Shanghai Technical By-Products.
The U.S. also has advised the Chinese government that the
activities of these firms could result in the imposition of
sanctions, including pursuant to the Iran and Syria
Nonproliferation Act (ISNA). However, to date we have not
received an adequate response on what steps Chinese
authorities are taking to prevent these firms from exporting
missile-related items to Iran.

¶3. (S) Bellamax: Since October 2005, and most recently in
October 2006, the U.S. has provided Chinese officials with a
considerable amount of information on the Beijing-based
entity Bellamax United Trading Co. and its efforts to supply
a variety of missile-useful items, including a shipment of
ball bearings, to Iran's missile program.

¶4. (S) CPMIEC: Over the past several years, the U.S. has
repeatedly raised our concerns about CPMIEC's missile-related
activity, particularly with Iran. For example, in August
2005, the U.S. alerted China to CPMIEC's attempt to deliver a
Missile Technology Control Regime (MTCR)-controlled gyroscope
to Iran. Most recently, the U.S. shared information
indicating that in late May 2006, CPMIEC was working to
finalize arrangements to ship a variety of missile-related
goods to Iran's Mehr Engineering and Industrial Group,
including an MTCR-controlled accelerometer. Despite these
concerns, CPMIEC has continued its missile-related activity
and the U.S. designated CPMIEC as a proliferator pursuant to
E.O. 13382. We now have new information on CPMIEC's
missile-related cooperation with Iran that could result in
the imposition of sanctions pursuant to the ISNA.
Specifically, the U.S. has information indicating that in
late May 2006, CPMIEC was working to finalize arrangements to
ship a variety of missile-related goods, including CA-14A
actuators, to Iran's Mehr Engineering and Industrial Group.
These dealings were being handled by CPMIEC's Tehran office.
The CA-14A actuator can be used to control the jet vanes or
fins of ballistic missiles, including Iran's Fateh-110 and
Shahab missiles, and may be controlled by the MTCR.
Subsequently, we understand that the actuators were shipped
to Iran.

¶5. (S) LIMMT: Since February 2006, the U.S. has repeatedly
discussed with China the missile-related activities of Dalian
Sunny Industry (a.k.a. LIMMT (Dalian) Metallurgy and Minerals
Co. Ltd or LIMMT (Dalian FTZ) Economic and Trade
Organization). This activity has included efforts to provide
Iran's Shahid Bakeri Industrial Group (SBIG) with graphite
cylinders, tungsten powder, and tungsten copper-alloy ingots.
SBIG is responsible for Iran's solid propellant ballistic

missile program. China has investigated this activity and, in the case of the graphite cylinders, China's Customs agency took unspecified measures to prevent the export of graphite to Iran. However, the Chinese have not provided a substantive response to our concerns, have claimed that 98-percent of the information the U.S. provides China is wrong, and have requested that the U.S. supply the Chinese names, addresses and telephone numbers of all the firms China is asked to investigate. We now have additional information on LIMMT's ongoing missile-related activity. Specifically, in November and December 2006, SBIG was discussing with Karl Lee of Dalian Sunny Industries (a.k.a. LIMMT) the possible purchase of EDM-14 graphite. In addition, as of mid-December 2006, Dalian Sunny probably shipped EDM-11B graphite to SBIG and Karl Lee offered to provide SBIG with additional EDM-11B.

Like EDM-14 graphite, EDM-11B graphite is probably controlled by the MTCR and China's missile-related export controls. As of mid-December 2006, SBIG had likely received the order of tungsten powder from Dalian Sunny (a.k.a. LIMMT) that we discussed with China in March 2006 and was seeking an additional order. The transfer of the graphite cylinders and tungsten powder could result in the imposition of sanctions on LIMMT.

¶6. (S) Shanghai Technical By-Products: In November 2006, we provided China with information indicating that Shanghai Technical By-Product's offered to provide Iran's Doostan International Company with 10,000 kg of aluminum powder for ultimate use by Pars Novin Industrial Company (PANICO) -- an entity affiliated with Iran's Shahid Hemmat Industrial Group (SHIG). Aluminum powder is a key ingredient in solid-rocket fuel and under certain conditions can be controlled by the MTCR and China's missile-related export controls. Chinese officials received the demarche, but to date we have not received a substantive response. We now have new information on Shanghai Technical By-Product's continued missile-related activity. In April 2006, experts from Iran's ETTF Company were reported to have inspected a 100 ton vacuum hot press in Shenyang, China. Subsequently in June 2006, Shanghai Technical By-Product's Company transferred the 100 ton vacuum hot press to ETTF. Iran's ETTF Company is associated with the Malek-Ashtar University of Technology as well as Moasseh Amozeshi va Tahghati, both of which are subordinate to Iran's Ministry of Defense and Armed Forces Logistics (MODAFL) and have ties to Iran's missile program. While the vacuum hot press is not specifically controlled by the MTCR, it can be used in bonding and heat treatment applications in the production of missile nose cones and jet vanes.

¶7. (S) Purpose/Objectives: The U.S. would like to follow-up with China on the activities of the firms discussed in paras 2-6, including by providing additional information on the activities of CPMIEC, LIMMT, and Shanghai Technical By-Products. We want to highlight to China that these are the kinds of activity that can result in the imposition of sanctions pursuant to U.S. domestic legal authorities. This information is particularly important in light of the claim made by Chinese officials in response to the December 2006 Iran and Syria Nonproliferation Act (ISNA) sanctions that the U.S. does not provide China with the information supporting the sanctions decision. In addition, we want to encourage the Chinese to investigate fully the missile-related activities of these firms and take all available measures to prevent shipments of proliferation concern. We also want to make clear that the U.S. considers all available information when making sanctions determinations, including what steps a foreign government has taken to cut-off missile-related assistance to programs of proliferation concern.

¶8. (S) Action Request: Department requests Embassy Beijing deliver talking points in paragraph 9 to appropriate host government officials and report response. Talking points also may be provided as a non-paper.

¶9. (S) Begin talking points/non-paper:

(SECRET//REL CHINA)

-- In the spirit of improving our nonproliferation cooperation, we would like to discuss with you several specific cases of missile-related cooperation between Chinese firms and Iran's missile program and provide additional information related to several of these cases.

-- As you will recall, over the past year or more, we have raised several specific cases of concern involving the Chinese firms Bellamax, CPMIEC, LIMMT, and Shanghai Technical By-Products.

-- In particular, we have urged the Chinese government to investigate the activities of these firms and to use all available measures to prevent these firms from contributing to programs of proliferation concern in Iran.

-- Investigating and ending these transfers is particularly important as this cooperation is with entities associated with or designated in UNSCR 1737 as participating in Iran's missile programs.

-- In addition, we want to stress that the activities of these firms are the kinds of activity that can result in the imposition of sanctions under U.S. legal authorities, including pursuant to the Iran and Syria Nonproliferation Act.

-- In this context, we want to urge the Chinese government to provide an update on the status and results of its investigations into the activities of these firms. This is particularly important as the U.S. considers all available information when making sanctions determinations, including what steps a foreign government has taken to cut-off missile-related assistance to programs of proliferation concern.

Bellamax:

-- Bellamax has a long history of providing missile-useful items, including some controlled by the MTCR and China's own export control regulations, to Iran's missile program.

-- In particular, the U.S. has discussed Bellamax's activities with you in October 2005, November 2005, December 2005, February 2006, June 2006, October 2006, and December 2006.

-- We want to emphasize that the activity that we have previously shared information on are potentially sanctionable activities.

-- We hope that the information that has been provided previously to your government has been helpful in your investigation, and we look forward to hearing from you soon on the specific actions China has taken to stop Bellamax from contributing to Iran's missile program.

CPMIEC:

-- On many past occasions, we have discussed with you cooperation between China Precision Machinery Import/Export Corporation (CPMIEC) and Iran's missile program. We have also repeatedly emphasized our concerns regarding these activities and urged you to use your regulatory and enforcement authorities to disrupt this relationship.

-- The U.S. appreciates the steps you took in August 2005 to prevent a CPMIEC official from delivering a DT-2B gyroscope to Iran. However, despite our extensive discussions on this issue, we understand that CPMIEC continues its business dealings with missile-related end-users in Iran.

-- The U.S. would now like to share with you additional information regarding CPMIEC's activity that could result in the imposition of sanctions pursuant to the Iran and Syria Nonproliferation Act (ISNA).

-- Specifically, the U.S. has information indicating that in

late May 2006, CPMIEC was working to finalize arrangements to ship a variety of missile-related goods, including actuators, to Iran's Mehr Engineering and Industrial Group. These dealings were being handled by CPMIEC's Tehran office.

-- Subsequently, the actuators were shipped to Iran.

-- Mehr Engineering is a front company associated with Iran's Shahid Bakeri Industrial Group (SBIG), which is responsible for developing Iran's solid-fueled ballistic missiles.

-- We understand that SBIG had an urgent need for 200 Model CA-14A actuators and had made arrangements so that these items would be shipped no later than July 12, 2006.

-- These CA-14A actuators can be used to control the jet vanes or fins of ballistic missiles and may be controlled as attitude control equipment under item 10.A in the MTCR Annex. These specific actuators may be suitable for use in Iran's Fateh-110 and the Shahab series of ballistic missiles.

-- In view of the significant proliferation concerns raised by this and previous CPMIEC activities, we request that you take immediate action to investigate this activity and cut-off further assistance by CPMIEC to missile-related organizations in Iran.

-- Given the potential sanctions implications of this transfer, we would appreciate learning the results of China's investigation and the steps taken to cut-off CPMIEC's assistance to Iran's missile program.

LIMMT:

-- Since February 2006, the U.S. has raised with your government our concerns regarding efforts by the Iranian solid-fueled ballistic missile program, the Shahid Bakeri Industrial Group (SBIG), to procure missile-useful graphite, tungsten powder, and tungsten copper-alloy ingots from the Chinese firm Dalian Sunny Industry (which may also be known as LIMMT (Dalian) Metallurgy and Minerals Co. Ltd or LIMMT (Dalian FTZ) Economic and Trade Organization).

-- As you will recall, in February and March 2006, we provided your government with information indicating that Dalian Sunny Industries was planning to ship a consignment of graphite cylinders to Iran's Omid Research and Industrial Company, a procurement cover for SBIG.

-- We judged that these graphite cylinders would have been suitable for producing rocket nozzles and throats.

-- We now understand that in November and December 2006, SBIG was discussing with Karl Lee of Dalian Sunny Industries the possible purchase and delivery of EDM-14 graphite. EDM-14 graphite is a form of graphite that is controlled under item 6.C of in the MTCR Annex and may be controlled under China's missile export control list.

-- Moreover, as of mid-December 2006, Dalian Sunny probably shipped EDM-11B graphite. EDM-11B graphite -- like EDM-14 graphite -- is probably controlled by both the MTCR and China's missile export control list.

-- We also now understand that as of mid-December 2006, SBIG had likely received a 2,000 kg order of tungsten powder from Dalian Sunny, and was seeking an additional order. Tungsten powder -- another item controlled under the MTCR Annex and China's missile export control list.

-- Given that both of the tungsten powder and graphite cylinders will be used by SBIG to support Iran's ballistic missile development efforts, we want to alert you to the possibility that the transfer of these materials could result in the imposition of sanctions on LIMMT.

--We urge you to investigate and take all appropriate

measures to ensure Dalian Sunny is not acting as a source of supply for Iran's missile program and to prevent future shipments by Dalian Sunny to Iran's missile program. Such action also would be consistent with UNSCR 1696 and 1737.

Shanghai Technical By-Products:

-- As you will recall, in November 2006, we provided information to you on missile-related cooperation between the Chinese firm Shanghai Technical By-Products and Iran's missile program.

-- Specifically, our information indicated that in September 2006, Shanghai Technical By-Products offered to provide Iran's Doostan International Company with 10,000 kg of aluminum powder. Doostan International Company was seeking this aluminum powder on behalf of another Iranian firm, Pars Novin Industrial Company (PANICO).

-- We further noted that while Doostan International said the powder would be used in the production of paint, we believed that the powder was actually intended to support Iran's ballistic missile development efforts. We also noted that PANICO is associated with Iran's Shahid Hemmat Industrial Group -- the entity responsible for Iran's liquid propellant missile program.

-- Aluminum powder is a key ingredient in solid propellant and can be controlled under the MTCR and China's export controls.

-- We now would like to share with you additional information concerning Shanghai Technical By-Products cooperation with Iran's missile program.

-- In April 2006, experts from Iran's ETTF Company were reported to have inspected a 100 ton vacuum hot press in Shenyang, China.

-- Subsequently, in June 2006, Shanghai Technical By-Products transferred the 100 ton vacuum hot press to Iran's ETTF Company.

-- Iran's ETTF Company is associated with the Malek-Ashtar University of Technology as well as Moasseh Amozeshi va Tahghati, both of which are subordinate to Iran's Ministry of Defense and Armed Forces Logistics (MODAFL) and have ties to Iran's missile program.

-- While the vacuum hot press is not specifically controlled by the MTCR, it can be used in bonding and heat treatment applications in the production of missile nose cones and jet vanes.

-- We also want to advise you that this transfer could result in the imposition of sanctions pursuant to the Iran and Syria Nonproliferation Act (ISNA).

-- Given the potential sanctions implications of the transfer of a hot vacuum press and the continuing cooperation between Shanghai Technical By-Products and Iran, we urge China to investigate this firm and take steps to prevent future transfers of missile-related items.

-- This is particularly important as the U.S. considers all available information when making sanctions determinations, including what steps a foreign government has taken to cut-off missile-related assistance to programs of proliferation concern.

Conclusion:

-- We appreciate China's past efforts to curb the proliferation of items and technology useful in Iran's ballistic missile program and we hope that this consolidated list of information will assist you in your investigations.

-- The U.S. values our shared interest in preventing the proliferation of WMD and their means of delivery and we look forward to hearing the results of your investigation.

End Talking Points/Non paper

¶10. (U) Please start response with "MTAG" and slug reporting on this or other missile nonproliferation issues for ISN/MTR and EAP/CM. Washington POC is ISN/MTR Matt Hardiman (hardimanmx@state.sgov.gov). A word version of this document will be posted at www.state.sgov.gov/demarche.
RICE

NNNN

End Cable Text